



State of Connecticut

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Public Hearing Testimony

March 1, 2010

Finance, Revenue and Bonding Committee

Len Fasano, Senate Minority Leader Pro Tempore, 34th District

Re: Senate Bill 1 – An Act Concerning the Preservation and Creation
of Jobs in Connecticut

Good morning Senator Daily, Representative Staples, Ranking Members Roraback and Candelora and members of the Finance, Revenue and Bonding Committee. Thank you for the opportunity to testify on behalf of Senate Bill 1 – An Act Concerning the Preservation and Creation of Jobs in Connecticut.

While economists have claimed that the recession has ended, for many residents and their families, those words ring hollow. Unemployment continues to remain at its highest level in over three decades, residential foreclosures continue to climb and businesses continue to close their doors in record numbers.

We know that traditionally Connecticut has lagged behind the nation when coming out of a recession. Given the depths of this recession, it is more important than ever that our state is in a position to encourage the growth of businesses and the jobs they bring.

Speaking on Section 1 of the bill, the Senate Republican Caucus has strongly supported a full and permanent repeal of the business entity tax for all businesses. Notwithstanding our support for a full repeal, and in the interest of reaching a bipartisan compromise, we are supportive of a temporary repeal of the business entity tax for certain entities reporting less than \$50,000 dollars in income. However, I would recommend changing the threshold to \$75,000 in taxable income. I would additionally recommend that this temporary repeal would apply to businesses with 50 employees or less.

The reason is the original language of “\$50,000 of gross income or less” doesn’t take into account the costs of doing business in the State of Connecticut, nor does it take into account the

costs basis of the product that the business sells. For example, while a service business such as a business that provides computer technical support and a business that sells computers both may reach the \$50,000 dollar income threshold, the computer store has a significant cost of goods while the service business has no substantial cost of goods.

In addition, the \$50,000 gross income is an extremely low figure and as the bill stands now it would apply more to those business that are created as shell businesses or real estate holding companies that do not necessarily represent the "mom and pop" business this bill seeks to provide relief for.

The next section of the bill, Sections 2 and 3 concern the taxation of bonuses received by TARP fund recipients. Individuals receiving more than \$1 million in bonuses would be subject to an additional tax – separate from the income tax – at the rate of 8.97% for the 2010 and 2011 tax years. The Senate Republican leadership stands in strong opposition to this section of the bill.

Notwithstanding the constitutional arguments concerning bills of attainder, proposals like this send exactly the wrong message not only to businesses in this state, but to businesses we are wishing to attract to this state. Connecticut - particularly state government- has benefited immensely from the presence of numerous financial and insurance companies in the state. It would take a somewhat large leap of faith to believe that a proposal such as this one would do anything to attract businesses to the state of Connecticut. A more likely scenario is that this proposal would drive businesses away – fearful that their business may fall into disfavor with the General Assembly and find themselves subject to additional unwarranted taxes. To those who argue that the legislature has not targeted specific industries in the past for additional taxation, I would only mention numerous proposals in the past to tax the supposed "windfall profits" of energy companies.

The final section of the bill requires DECD to establish a program to provide direct loans and loan guarantees to small businesses. The program would be funded by a new bond authorization of \$20 million. In her budget, the Governor proposed the creation of a similar program using \$100 million in canceled bond authorizations. While I support the creation of a program to extend credit to support small businesses, I would recommend that prior to authorizing new bonds the committee look to see if there are existing bonds that could be canceled to fund the program.

As a final note, we as a legislature need to act now and let businesses in the State of Connecticut know we care. We can not and not wait for the last days of session to act on this bill. As a Republican caucus, we stand ready willing and able to vote on these proposals with minor modifications on the next session day. In taking such a vote early in the session we can send a strong message to the businesses in the State of Connecticut that we want you and we need you. I would be willing to answer any questions at this time.